

**COMMONWEALTH OF MASSACHUSETTS**  
**OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION**  
**DIVISION OF INSURANCE**

*REPORT OF EXAMINATION OF THE*  
**MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.**

**Braintree, Massachusetts**

**As of March 31, 2018**

**EMPLOYER ID NUMBER 22-3067707**

# MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC

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**COMMONWEALTH OF MASSACHUSETTS**  
**Office of Consumer Affairs and Business Regulation**  
**DIVISION OF INSURANCE**

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**GARY D. ANDERSON**  
COMMISSIONER OF INSURANCE

February 15, 2019

The Honorable Gary D. Anderson  
Commissioner of Insurance  
Commonwealth of Massachusetts  
Division of Insurance  
1000 Washington Street, Suite 810  
Boston, MA 02118-6200

Honorable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 152, Section 25I, an examination has been made of the financial condition and affairs of

**MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC**

at its home office located at 66 Brooks Drive, Braintree, Massachusetts 02184. The following report thereon is respectfully submitted.

### **SCOPE OF EXAMINATION**

Massachusetts Catholic Self-Insurance Group, Inc. ("Group") was last examined as of March 31, 2015, by the Massachusetts Division of Insurance ("Division"). The current examination was also conducted by the Division and covers the three-year period from April 1, 2015 through March 31, 2018, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with standards and procedures established by the National Association of Insurance Commissioners ("NAIC") Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition Examiners Handbook*, the examination standards of the Division and with Massachusetts General Laws. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Group by obtaining information about the Group, including corporate governance, identifying and assessing inherent risks within the Group, and evaluating system controls and procedures used to mitigate those risks. All accounts and activities of the Group were considered in accordance with a modified risk-focused examination process.

All accounts and activities of the Group were considered in accordance with a modified risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Group's financial statements.

This examination report includes significant findings of fact, as mentioned in the Massachusetts General Laws, Chapter 152, Section 25I, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.) are not included within the examination report but separately communicated to other regulators and/or the Group.

The Group is audited annually by Grant Thornton LLP, an independent certified public accounting firm. The firm expressed unqualified opinions on the Group's financial statements for the years ended March 31, 2016 through March 31, 2018. A review and use of the Certified Public Accountants' work papers was made to the extent deemed appropriate and effective.

**SUMMARY OF SIGNIFICANT FINDINGS OF FACT**

There were no significant findings identified during the examination.

**GROUP HISTORY**

**General**

The Massachusetts Catholic Self-Insurance Group, Inc. was initially incorporated as the Archdiocese of Boston Self-Insurance Group, Inc. in November, 1994 under Massachusetts General Law Chapter 180. The corporation was established as a not-for-profit association of employers to provide workers' compensation coverage to member parishes and other Catholic institutions located in the territory of the Archdiocese of Boston in accordance to Chapter 152 of the Massachusetts General Law. The Group was formed to provide workers' compensation coverage and employers' liability coverage solely to religious, charitable, and educational institutions operating within the Commonwealth of Massachusetts which are affiliated with the Roman Catholic Church and are listed in The Official Catholic Directory. The Group is an organization that has been classified as tax exempt within the meaning of Section 501 (c) (3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law). Effective March 31, 1990, the Archdiocese of Boston Self-Insurance group was approved as a workers' compensation self-insurance group authorized to provide workers' compensation benefits pursuant to Massachusetts General Law Chapter 152, Section 25E through 25U. With the introduction of the Catholic Diocese of Springfield in 2004 as a member, the member organizations of the Group voted to change the name of the corporation to the Massachusetts Catholic Self-Insurance Group, Inc.

Effective January 1, 2018, Ratio Risk Services, LLC administers all operations of the Group except for the handling of claims. Beginning April 1, 2002, the Group retained the services of Associated Insurance Services, LLC ("A.I.S."), a subsidiary of Associated Industries of Massachusetts Mutual Insurance Company to provide all claims administrative services. A.I.S. only provides claim administrative services on claims reported on policy years 1999 and subsequent.

Effective January 1, 2002, the Group entered into a retroactive reinsurance agreement (Loss Portfolio Transfer) with Safety National Casualty Company ("SNCC") wherein all outstanding loss and loss adjustment expense liabilities for policy years 1998 and prior were ceded to SNCC. The Group obtained permission from the Division to account for this transaction as a novation of policy year 1998 and prior insurance policies rather than as reinsurance of outstanding liabilities. Accordingly, the reinsurance contract has not been accounted for as retroactive reinsurance and the Group has no reported outstanding loss reserve liabilities for policy years 1998 and prior.

Massachusetts Catholic Self-Insurance Group, Inc

Dividends

The Group annually accrues dividends from a fund year's operating activities during that fund year and annually may make a dividend distribution to the members in accordance with the formula guidelines provided for by 211CMR 67.08. The following amounts were distributed as dividends during the period covered by this examination:

2018	\$500,000
2017	1,000,000
2016	500,000

**MANAGEMENT AND CONTROL**

Board of Trustees Minutes

The minutes of the meetings of the Board of Trustees ("Board") for the period under examination were reviewed. Although the annual meeting is not held during the specified time prescribed by the bylaws, actions taken and approved by the Board at each meeting appear to meet the requirements of the bylaws and laws of the Commonwealth of Massachusetts.

Articles of Organization and Bylaws

The articles of organization and bylaws of the Group were reviewed. The Group was formed under Massachusetts General Laws, Chapter 180 to operate as a workers' compensation self-insurance group as defined by Chapter 152 of the General Law exclusively for religious, charitable and educational purposes within the meaning of Section 501 (c) (3) of the Internal Revenue Code of 1986.

Board of Trustees

According to the bylaws, the Group's business shall be managed by a Board of Trustees which may exercise all of the powers of the Group, except as otherwise provided by the Articles of Incorporation, by law, or the bylaws. The Board of Trustees shall consist of not fewer than three Trustees.

The Group's Board of Trustees consisted of the following individuals as of March 31, 2018.

<u>Name of Trustee</u>	<u>Title</u>
John Straub	President
Maureen Donnelly-Creedon	Treasurer
Rev. James DiPerri	Clerk
John Riley	Director
William LaBroad	Director
Neil Buckley	Director
Lori A. Ferrante	Director

Massachusetts Catholic Self-Insurance Group, Inc

Officers

Officers of the Group as of March 31, 2018 were as follows:

<u>Name of Officers</u>	<u>Title</u>
John Straub	President
Maureen Donnelly-Creedon	Treasurer
Rev. James DiPerri	Clerk

**TERRITORY AND PLAN OF OPERATION**

As of March 31, 2018, the Group was found to be duly organized under the laws of the Commonwealth of Massachusetts, as a self-insurance group authorized under Massachusetts General Law Chapter 152, Section 25E through 25U and 211 CMR 67.00, to provide coverage for workers' compensation and employers' liability in Massachusetts.

Treatment of Policyholders

Due to the small size of the organization, there is no market conduct examination planned at this time. Procedures performed in conjunction with the claims test work indicated that the Group investigates and settles claims on a timely and equitable basis.

**REINSURANCE**

Assumed

The Group has no assumed reinsurance during the period under examination.

Ceded

To minimize exposure to loss, the Group has entered into specific and aggregate loss reinsurance agreements for its workers' compensation coverage. The coverage under these agreements is subject to specific retention limits as defined by the contracts and specifically as required by Massachusetts General Law, Chapter 152, Section 60 and 211 CMR 67:21. The Group remains primarily liable for its obligations under its reinsurance contracts, in the event that the reinsurer becomes unable to meet its obligations under the agreements.

**FINANCIAL STATEMENTS**

The following financial exhibits are based on the statutory financial statements prepared by management and filed by the Group with the Division and present the financial condition of the Group for the period ending March 31, 2018. The financial statements are the responsibility of the Group's management.

Statement of Assets, Liabilities, Surplus and Other Funds as of March 31, 2018

Statement of Income for the Year Ended March 31, 2018

Reconciliation of Capital and Surplus for Each Year in the Three-Year Period Ended March 31, 2018



Massachusetts Catholic Self-Insurance Group, Inc

**Statement of Assets, Liabilities, Surplus and Other Funds  
as of March 31, 2018**

	Per Annual Statement
Bonds	\$5,301,877
Cash, cash equivalents, and short-term investments	11,144,193
Subtotals, cash and invested assets	16,446,070
 Total Assets	 \$16,446,070
  Losses	  \$3,497,036
Loss adjustment expense	283,139
Other expenses	14,004
Dividends declared and unpaid:	
Policyholders	537,608
Aggregate write-ins for liabilities	2,477,343
Total Liabilities	6,809,130
 Surplus as regards policyholders	 9,636,940
 Total liabilities and policyholder surplus	 \$16,446,070

Massachusetts Catholic Self-Insurance Group, Inc

**Statement of Income**  
**For the Year Ended March 31, 2018**

	<u>Per Annual Statement</u>
Underwriting Income	
Premiums earned	\$2,949,076
Deductions :	
Losses incurred	770,126
Loss adjustment expenses incurred	215,357
Other underwriting expenses incurred	487,341
Aggregate write-ins for underwriting deductions	178,538
Total underwriting deductions	<u>1,651,362</u>
Net underwriting gain (loss)	<u>1,297,714</u>
Investment Income	
Net investment income earned	160,092
Net realized capital gains (losses)	<u>(3,818)</u>
Net investment gain or (loss)	<u>156,274</u>
Other Income	
Aggregate write-ins for miscellaneous income	194,426
Total Other Income	<u>194,426</u>
Net income before dividends to policyholders	1,648,415
Dividends to Policyholders	<u>500,000</u>
Net Income after dividends to policyholders	<u>1,148,415</u>
Net Income	<u><u>\$1,148,415</u></u>

Massachusetts Catholic Self-Insurance Group, Inc

**Reconciliation of Capital and Surplus**

**For Each Year in the Three-Year Period Ended March 31, 2018**

	<u>Per Annual Statement</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Surplus as regards policyholders, March 31, previous year	<u>\$8,357,147</u>	<u>\$5,837,744</u>	<u>\$5,187,781</u>
Net income (loss)	1,148,415	2,124,340	646,072
Change in nonadmitted assets	<u>131,378</u>	<u>395,062</u>	<u>3,891</u>
Change in surplus	<u>1,279,793</u>	<u>2,519,402</u>	<u>649,963</u>
Surplus as regards policyholders, March 31, current year	<u><u>\$9,636,940</u></u>	<u><u>\$8,357,147</u></u>	<u><u>\$5,837,744</u></u>

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION**

There have been no changes to the amounts reported in the Annual Statement.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

Summary of Loss and Loss Adjustment Expense Reserves (“Loss and LAE Reserves”)

The Group’s Actuarial Opinion is prepared by Ashurst Beacon LLC. Ashurst Beacon’s report concluded that the Group’s carried reserves make a reasonable provision for all unpaid loss obligations as of March 31, 2018. Ashurst Beacon’s range of reserve estimates is shown in the table below:

**COMPARISON OF INDICATED NET RESERVES  
TO CARRIED RESERVES AS OF MARCH 31, 2018**

	Low Point of Range	Point Estimate	High Point of Range
Ashurst Beacon’s Total Net Loss & Loss Adjustment Expense Reserves	\$3.4m	\$3.8m	\$4.2m
Total Group Carried Net Loss & LAE Reserves	3.8m	3.8m	3.8m
Difference	0.4m	-	(0.4m)

**SUBSEQUENT EVENT**

Effective January 1, 2018, all policies of the Diocesan Facilities Self-Insurance Group, Inc. (“DFSIG”), a Massachusetts nonprofit corporation, were written by the Group upon renewal. A formal agreement of the merger between the two parties is pending and subject to regulatory approval.

**SUMMARY OF RECOMMENDATIONS**

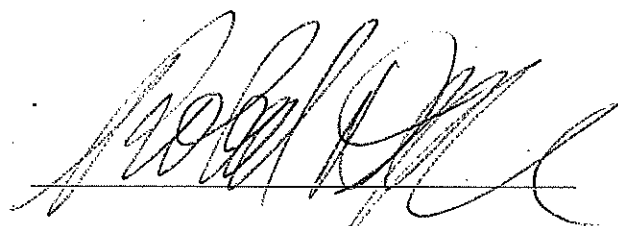
There are no recommendations being made as part of this examination report.

**SIGNATURE PAGE**

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Group during the examination.

The assistance rendered by the following examiner participating on this examination is acknowledged.

Steven Tsimitsos, CFE, Financial Examiner II

A handwritten signature in black ink, appearing to read 'Robert Dynan', is written over a horizontal line.

Robert Dynan, CFE  
Supervising Examiner and Examiner-In-Charge  
Commonwealth of Massachusetts  
Division of Insurance